

**GOODWILL INDUSTRIES OF
SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC., AND GOODWILL
INDUSTRIES BUILDING, INC.**

Audit of Combined Financial Statements

December 31, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **OCT 17 2012**

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OMB CIRCULAR A-133 SECTION

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Independent Auditor's Report

To the Boards of Directors
Goodwill Industries of Southeastern
Louisiana, Inc., Goodworks, Inc., and
Goodwill Industries Building, Inc.

We have audited the accompanying combined statement of financial position of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc. (the Organizations) as of December 31, 2011, and the related combined statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc. as of December 31, 2011, and the combined changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2012, on our consideration of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

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The McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. The McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client arrangements, delivery of services and maintenance of client relationships.

Our audit was performed for the purpose of forming an opinion on the basic combined financial statements of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Schedules I through IV are presented for the purpose of additional analysis and are not required parts of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and Schedules I through III are fairly stated in all material respects, in relation to the basic combined financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "LaForte".

A Professional Accounting Corporation

June 25, 2012

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC., AND GOODWILL INDUSTRIES BUILDING, INC.
Combined Statement of Financial Position
December 31, 2011**

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 6,225,656
Accounts Receivable - Trade, Net	5,728,086
Merchandise Inventory	422,218
Prepaid Expenses and Other	<u>73,485</u>
Total Current Assets	<u>12,449,445</u>
Property and Equipment	
Land	2,082,348
Building and Building Improvements	11,982,396
Machinery and Equipment	1,391,628
Furniture and Fixtures	1,327,821
Automobiles and Trucks	515,540
Leasehold Improvements	637,310
Computer Equipment	170,389
Condo - Timeshare	34,995
Capitalized Interest	<u>121,770</u>
	<u>18,264,197</u>
Less: Accumulated Depreciation	<u>3,869,768</u>
Property and Equipment, Net	<u>14,394,429</u>
Other Assets	
Notes Receivable	8,000,000
Deferred Loan Fees	1,510,368
Interest Receivable	2,113,011
Deposits	<u>137,540</u>
Total Other Assets	<u>11,760,919</u>
Total Assets	<u>\$ 38,604,793</u>

The accompanying notes are an integral part of these combined financial statements.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC., AND GOODWILL INDUSTRIES BUILDING, INC.
Combined Statement of Financial Position (Continued)
December 31, 2011**

Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 717,094
Accrued Expenses and Taxes	1,790,482
Deferred Revenue	382,111
Notes Payable	<u>92,829</u>
Total Current Liabilities	<u>2,982,516</u>
Long-Term Liabilities	
Notes Payable, Net of Current Maturities	<u>15,638,378</u>
Net Assets	
Unrestricted	<u>19,983,899</u>
Total Net Assets	<u>19,983,899</u>
Total Liabilities and Net Assets	<u>\$ 38,604,793</u>

The accompanying notes are an integral part of these combined financial statements.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC., AND GOODWILL INDUSTRIES BUILDING, INC.
Combined Statement of Activities
For the Year Ended December 31, 2011**

	Unrestricted	Total
Sales Revenue		
Retail Stores	\$ 11,948,006	\$ 11,948,006
Contributed Revenue - Donated Goods	4,417,598	4,417,598
Salvage	1,069,948	1,069,948
Total	17,435,552	17,435,552
Vocational Training Revenue		
Janitorial Contracts	5,971,754	5,971,754
Total	5,971,754	5,971,754
Other Sources of Income		
Federal Financial Assistance	6,383,372	6,383,372
Grant Income - City of New Orleans	1,377,582	1,377,582
Interest Income	722,304	722,304
State Sales Tax Exclusion	548,793	548,793
Louisiana Rehabilitation Service	132,387	132,387
Sale of New Market Tax Credits	88,495	88,495
Louisiana Business Incubation Association Grant	60,000	60,000
Contributions	41,413	41,413
Loss on Disposal of Assets	(1,883)	(1,883)
Miscellaneous	264,932	264,932
Total	9,617,395	9,617,395
Total Revenue	33,024,701	33,024,701
Expenses		
Retail Program - Cost of Goods Sold	4,410,085	4,410,085
Program Services	23,776,320	23,776,320
Management and General	2,591,482	2,591,482
Total Expenses	30,777,887	30,777,887
Change in Net Assets	2,246,814	2,246,814
Net Assets, Beginning of Year	17,737,085	17,737,085
Net Assets, End of Year	\$ 19,983,899	\$ 19,983,899

The accompanying notes are an integral part of these combined financial statements.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC., AND GOODWILL INDUSTRIES BUILDING, INC.
Combined Statement of Cash Flows
For the Year Ended December 31, 2011**

Cash Flows from Operating Activities	
Change in Net Assets	\$ 2,246,814
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation and Amortization	1,473,569
Loss on Disposal of Fixed Assets	1,883
Decrease in Restricted Cash	2,700
Decrease in Accounts Receivable - Trade	217,020
Increase in Interest Receivable	(716,819)
Increase in Merchandise Inventory	(7,662)
Decrease in Prepaid Expenses and Other	59,221
Increase in Deposits	1,790
Decrease in Accounts Payable	(269,161)
Increase in Accrued Expenses and Taxes	367,973
Decrease in Deferred Revenue	(24,655)
Net Cash Provided by Operating Activities	<u>3,352,673</u>
Cash Flows from Investing Activities	
Increase in Notes Receivable	(75,000)
Purchase of Fixed Assets	(2,356,467)
Net Cash Used in Investing Activities	<u>(2,431,467)</u>
Cash Flows from Financing Activities	
Payments on Notes Payable	(91,159)
Net Cash Used in Financing Activities	<u>(91,159)</u>
Net Increase in Cash and Cash Equivalents	830,047
Cash and Cash Equivalents, Beginning of Year	<u>5,395,609</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,225,656</u>
Supplemental Disclosure of Cash Flow Information	
Cash Paid for Interest	<u>\$ 231,498</u>

The accompanying notes are an integral part of these combined financial statements.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC., AND GOODWILL INDUSTRIES BUILDING, INC.
Combined Statement of Functional Expenses
For the Year Ended December 31, 2011**

	Program Services	Management and General	Total
Operating Expense			
Salaries, Wages, Taxes and Benefits	\$ 15,035,731	\$ 1,400,240	\$ 16,435,971
Occupancy Cost	2,256,582	66,286	2,322,868
Repairs and General Maintenance	68,290	8,274	76,564
Supplies and Materials	720,820	61,162	781,982
Waste Disposal	364,005	180	364,185
Training and Support Service	978,766	5,622	984,388
Outreach and Marketing	43,612	25,695	69,307
Conference and Travel	136,056	38,410	174,466
Communication	372,130	195,657	567,787
Equipment and Vehicle Cost	844,561	61,879	906,440
Insurance	509,695	60,094	569,789
Professional Fees and Dues	449,804	370,711	820,515
Administrative and Other	277,290	205,118	482,408
	<u>22,057,342</u>	<u>2,499,328</u>	<u>24,556,670</u>
Interest, Taxes, Depreciation and Amortization			
Interest	229,512	1,986	231,498
Taxes	106,065	-	106,065
Depreciation and Amortization	1,383,401	90,168	1,473,569
	<u>1,718,978</u>	<u>92,154</u>	<u>1,811,132</u>
Total	<u>\$ 23,776,320</u>	<u>\$ 2,591,482</u>	<u>\$ 26,367,802</u>

The accompanying notes are an integral part of these combined financial statements.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.**

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies

Goodwill Industries of Southeastern Louisiana, Inc. (Goodwill), Goodworks, Inc. (Goodworks) and Goodwill Industries Building, Inc. (Goodwill Building) (collectively the Organizations) follow the accounting procedures and practices for voluntary health and welfare organizations established by the American Institute of Certified Public Accountants as published in the Industry Audit Guide on *Audits of Voluntary Health and Welfare Organizations*, which constitute generally accepted accounting principles. Goodwill and Goodworks assist people with disabilities and other special needs in their efforts to participate fully in society by helping them develop occupational capabilities and opportunities through janitorial services, retail stores and a variety of training programs. The Organizations' territory covers twenty-three parishes in southeastern Louisiana. Goodwill Building was formed for the exclusive purpose of acquiring real property for the exclusive use of Goodwill.

Combination of Financial Statements

The accompanying combined financial statements include the accounts of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc. and Goodwill Industries Building, Inc. Inter-company transactions and balances have been eliminated in combination. Goodwill Building was formed with capital injections from Goodwill (\$750) and Goodwill Foundation (\$250). As a result of a management agreement between Goodwill Building and Goodwill, Goodwill exercises significant control over Goodwill Building, therefore Goodwill Building is included in the combined financial statements.

Trade Receivables

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. The allowance for bad debts totaled \$235,855, as of December 31, 2011.

Concentration of Credit Risk

Goodwill's services are rendered to people with disabilities or other disadvantaging conditions in southeastern Louisiana. All of the training fees and grants are generated from services to rehabilitation clients. Goodwill grants credit to several state offices for the above stated training fees. As of December 31, 2011, Goodwill has an unused line of credit with a bank in the amount of \$750,000, collateralized by accounts receivables.

The Organizations periodically maintain cash in bank accounts in excess of insured limits. The Organizations have not experienced any losses and do not believe that significant credit risk exists as a result of this practice.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.**

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Contribution Recognition

The Organizations record contributions as restricted if they are received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

Donor restricted contributions whose restrictions are met in the same reporting period, are reported as unrestricted. The Organizations report gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organizations report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Financial Statement Presentation

The Organizations report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organizations have no temporarily restricted or permanently restricted net assets.

Donated Material and Service

The Financial Accounting Standards Board Codification (the Codification), *Accounting for Contributions Received and Contributions Made*, requires that contributions be recognized as revenue when received. During 2011, Goodwill recognized contributed merchandise with a fair value of \$4,417,598 as contribution revenue. This merchandise requires program related expenses/processes accomplished by people with disabilities and other disadvantaging conditions before it reaches its point of sale.

A substantial number of volunteers have donated significant amounts of their time in the Organizations' program services. However, these services do not meet all of the applicable requirements of the Codification; therefore, no amounts have been reflected in the combined financial statements for these donated services.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.**

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Income Taxes

Goodwill was formed in 1947, to provide services to persons with disabilities. This organization was chartered in the State of Louisiana as a non-profit organization and is exempt from Federal income taxes under Section 501(c)3 of the Internal Revenue Code. Goodworks was formed in 1998, in order to service government contracts. This organization was chartered in the State of Louisiana as a non-profit organization and is exempt from Federal income taxes under Section 501(c)3 of the Internal Revenue Code. Goodwill Industries Building, Inc. was formed in 2008 for the exclusive purpose of acquiring real property for Goodwill. The initial purchase was the property located at 3400 Tulane Avenue to be used as Goodwill's office, retail, warehouse and space for third party tenants. This organization was chartered in the State of Louisiana as a non-profit organization and is exempt from Federal income taxes under Section 501(c)25 of the Internal Revenue Code.

Cash and Cash Equivalents

The Organizations consider all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost, with the exception of donated items, which are stated at fair market value at date of donation. Excluding land, the Organizations use the straight-line depreciation method over the useful lives of its property and equipment. Buildings and improvements are depreciated over thirty years. Furniture and fixtures are depreciated over seven years. Machinery and equipment, automobiles and trucks are depreciated over five years and computer equipment is depreciated over three years. Leasehold improvements are being amortized over the life of the lease. The Organizations capitalize fixed assets with costs of \$1,000 or greater and a useful life of three years or more. Depreciation expense for 2011 was \$1,095,977.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Merchandise Inventory

The Financial Accounting Standards Board Codification, *Accounting for Contributions Received and Contributions Made*, requires that contributions be recognized as inventory when received and be carried at fair value. Management estimates the fair value of inventory using a gross margin method.

Accounting for Financial Instruments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair market values in the cash and cash equivalents section in the combined statement of financial position.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.**

Notes to Combined Financial Statements

Note 2. Notes Payable

Details of notes payable for the year ended December 31, 2011, consists of the following:

Note payable to bank with monthly principal and interest of \$11,142 and one final payment of \$1,015,491, maturing on January 23, 2014. Interest rate of 5.90%. Secured by two properties. Paid off subsequent to year end.	\$ 731,207
Notes payable to banks with monthly interest payments only, payable in full on December 30, 2015. Eight loans with interest rate of .52%. Secured by building.	12,342,250
Notes payable to banks with monthly interest payments only, payable in full on December 30, 2015. Four loans with interest rate of 4.5%. Secured by building.	<u>2,657,750</u>
Less: Current Maturities	<u>(92,829)</u>
Long-Term Debt	<u>\$ 15,638,378</u>

The maturities for the next five years are as follows:

<u>Years</u>	<u>Amount</u>
2012	\$ 92,829
2013	98,456
2014	539,922
2015	<u>15,000,000</u>
Total	<u>\$ 15,731,207</u>

Interest expense totaled \$228,879 the year ended December 31, 2011.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.**

Notes to Combined Financial Statements

Note 3. Lease Agreements

Goodwill has real estate leases as of December 31, 2011, expiring in various years through 2032.

Future minimum lease payments as of December 31st are as follows:

Years	Amount
2012	\$ 1,810,961
2013	1,725,709
2014	1,530,856
2015	1,231,529
2016	1,888,613
Thereafter	<u>34,282,540</u>
Total	<u>\$ 42,470,208</u>

Rent expense totaled \$1,503,894 in 2011.

Goodwill leases automobiles under operating leases expiring in various years through 2014. The minimum lease payments are as follows:

Years	Amount
2012	\$ 19,352
2013	13,533
2014	<u>9,197</u>
Total	<u>\$ 42,082</u>

Note 4. Pension Plan and Health and Welfare Benefit Plan

Goodwill initiated a defined contribution pension plan in 1993 for the employees of its federal contracts. The plan does not have any minimum eligibility requirements to participate. Employer contributions vary based on terms of each Federal contract and regular hours of each employee. When Goodworks was formed in 1998, it assumed responsibility for pension plan contributions from Goodwill. Goodworks contributed \$451,552 to the plan in 2011.

On March 15, 2011, Goodwill entered into two Retirement Plan Service Agreements. One agreement was for a 403(b) ERISA plan and the other was for a 457(b) Top Hat plan. The 403(b) plan is for full-time employees except for executive staff. Goodwill will match 50% of the employees' contribution to a maximum of 3%. The executive staff will participate in the 457(b) Top Hat plan which includes a contribution of up to 10% of their annual salary. Contributions to the 403(b) plan for the year were \$21,263.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.**

Notes to Combined Financial Statements

Note 5. Commitments and Contingencies (Building Purchase)

Goodwill purchased a facility on September 30, 2008 for a purchase price of \$5.3 million. In a transaction eligible under the federal and state New Market Tax Credit Programs, this building was transferred to Goodwill Building, along with cash and additional basis in the building for a total of \$7.75 million. In return, Goodwill holds a subordinated leveraged loan to an intermediary investor.

The transfer of the building to Goodwill Building is subject to a loan in the amount of \$15 million. The loan is secured by the building and its improvements and is guaranteed by Goodwill. The lenders are Community Development Entities (CDEs). The initial loan closing was December 30, 2008, with a second closing on January 2, 2009. The loan is due and payable in seven years and cannot be prepaid. The following are a result of the transaction mentioned above.

Goodwill has notes receivable in the amount of \$8,000,000 as of December 31, 2011. These notes have an interest rate of 8.46%, with a term of seven years. Goodwill will receive quarterly interest payments at .5% and the total final payment will be paid January 2, 2016. At that point the intermediary will owe Goodwill approximately \$13.4 million made up of principal and accrued interest.

Goodwill Building has notes payable totaling \$15,000,000 as of December 31, 2011. These notes have interest rates up to 4.5% (see Note 3) and are payable in full in seven years. Interest only payments are due quarterly.

Goodwill Building has also recorded prepaid loan fees in the amount of \$2,643,159. These loan fees are being amortized on a straight-line basis over the life of the loan. Amortization expense for the year ended December 31, 2011 was \$377,592. By the end of the seven year term, Goodwill Building will owe \$15 million in principal. After Goodwill Building pays off the \$15 million and Goodwill receives its principal and accrued interest mentioned above, there will remain approximately \$1.6 million in outstanding debt. As of December 31, 2011 (and report date of June 25, 2012), the Organizations are in compliance with all loan covenants associated with the agreement mentioned within this note.

During 2008 Goodwill Supporting Foundation contributed approximately \$1.9 million in the form of a grant to Goodwill to be used in the new market tax credit transaction discussed above.

Note 6. Uncertain Tax Positions

The Organizations follow the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the Financial Accounting Standards Board Accounting Standards Codification, which clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Organization's income tax returns.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.**

Notes to Combined Financial Statements

Note 6. Uncertain Tax Positions (Continued)

All tax returns have been appropriately filed by the Organizations. The Organizations recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The Organizations' income tax filings are subject to audit by various taxing authorities. The Organizations' open audit periods are 2008 to 2010. Management evaluated the Organizations' tax positions and concluded that the Organizations had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Note 7. Subsequent Events

Management has evaluated subsequent events through the date that the combined financial statements were available to be issued, June 25, 2012, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these combined financial statements.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.
Combining Statement of Financial Position
December 31, 2011
(With Comparative Totals for 2010)**

Schedule I

	Goodwill	Goodworks	Goodwill Building	Elimination	2011	2010
Assets						
Current Assets						
Cash and Cash Equivalents	\$ 4,849,271	\$ 1,374,502	\$ 1,883	\$ -	\$ 6,225,656	\$ 5,395,609
Restricted Cash	-	-	-	-	-	2,700
Accounts Receivable - Trade, Net	2,528,540	3,199,546	-	-	5,728,086	5,945,106
Merchandise Inventory	422,218	-	-	-	422,218	414,556
Due from Goodwill	-	81,547	559,113	(640,660)	-	-
Prepaid Expenses and Other	73,485	-	-	-	73,485	132,706
Total Current Assets	7,873,514	4,655,595	560,996	(640,660)	12,449,445	11,890,677
Property and Equipment						
Land	482,348	-	1,600,000	-	2,082,348	2,082,348
Building and Building Improvements	1,269,166	-	10,713,230	-	11,982,396	10,336,257
Machinery and Equipment	443,839	947,789	-	-	1,391,628	1,094,645
Furniture and Fixtures	1,327,821	-	-	-	1,327,821	1,293,258
Automobiles and Trucks	462,168	53,372	-	-	515,540	407,109
Leasehold Improvements	637,310	-	-	-	637,310	434,074
Computer Equipment	168,382	2,007	-	-	170,389	149,803
Condo - Timeshare	34,995	-	-	-	34,995	34,995
Capitalized Interest	-	-	121,770	-	121,770	121,770
	4,826,029	1,003,168	12,435,000	-	18,264,197	15,954,259
Less: Accumulated Depreciation	2,174,258	816,760	878,750	-	3,869,768	2,818,437
Property and Equipment, Net	2,651,771	186,408	11,556,250	-	14,394,429	13,135,822
Other Assets						
Notes Receivable	8,000,000	-	-	-	8,000,000	7,925,000
Deferred Loan Fees	-	-	1,510,368	-	1,510,368	1,887,960
Interest Receivable	2,113,011	-	-	-	2,113,011	1,396,192
Deposits	137,540	-	-	-	137,540	139,330
Total Other Assets	10,250,551	-	1,510,368	-	11,760,919	11,348,482
Total Assets	\$ 20,775,836	\$ 4,842,003	\$ 13,627,614	\$ (640,660)	\$ 38,604,793	\$ 36,374,981
Liabilities and Net Assets						
Current Liabilities						
Accounts Payable	\$ 634,135	\$ 82,959	\$ -	\$ -	\$ 717,094	\$ 986,255
Accrued Expenses and Taxes	1,609,096	134,420	46,966	-	1,790,482	1,422,509
Deferred Revenue	372,145	9,966	-	-	382,111	406,766
Due to Related Parties	640,660	-	-	(640,660)	-	-
Notes Payable	92,829	-	-	-	92,829	87,522
Total Current Liabilities	3,348,865	227,345	46,966	(640,660)	2,982,516	2,903,052
Long-Term Liabilities						
Notes Payable, Net of Current Maturities	638,378	-	15,000,000	-	15,638,378	15,734,844
Net Assets (Deficit)						
Unrestricted	16,788,693	4,614,658	(1,419,352)	-	19,983,899	17,737,085
Total Net Assets (Deficit)	16,788,693	4,614,658	(1,419,352)	-	19,983,899	17,737,085
Total Liabilities and Net Assets	\$ 20,775,836	\$ 4,842,003	\$ 13,627,614	\$ (640,660)	\$ 38,604,793	\$ 36,374,981

See independent auditor's report.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.
Combining Statement of Activities
For the Year Ended December 31, 2011
(With Comparative Totals for 2010)**

Schedule II

	Goodwill		Goodworks, Inc.		Goodwill Building, Inc.		Combined
	Unrestricted	Total	Unrestricted	Total	Unrestricted	Total	Total 2011
Sales Revenue							
Retail Stores	\$ 11,948,006	\$ 11,948,006	\$ -	\$ -	\$ -	\$ -	\$ 11,948,006
Contributed Revenue - Donated Goods	4,417,598	4,417,598	-	-	-	-	4,417,598
Salvage	1,069,948	1,069,948	-	-	-	-	1,069,948
Total	17,435,552	17,435,552	-	-	-	-	17,435,552
Vocational Training Revenue							
Janitorial Contracts	2,060,831	2,060,831	3,910,923	3,910,923	-	-	5,971,754
Training Fees - United Way	-	-	-	-	-	-	-
Total	2,060,831	2,060,831	3,910,923	3,910,923	-	-	5,971,754
Other Sources of Income							
Federal Financial Assistance	6,383,372	6,383,372	-	-	-	-	6,383,372
Grant Income - City of New Orleans	1,377,582	1,377,582	-	-	-	-	1,377,582
Interest Income	722,304	722,304	-	-	-	-	722,304
State Sales Tax Exclusion	648,793	648,793	-	-	-	-	648,793
Administrative Fee Income	379,707	379,707	-	-	-	(379,707)	-
Louisiana Rehabilitation Service	132,387	132,387	-	-	-	-	132,387
Louisiana Business Incubation Association Grant	60,000	60,000	-	-	-	-	60,000
Contributions	41,413	41,413	-	-	-	-	41,413
(Loss) Gain on Sale of Assets	(1,883)	(1,883)	-	-	-	-	(1,883)
Sale of State New Markets Tax Credit	-	-	-	-	88,495	88,495	88,495
Rental Income	-	-	-	-	363,000	363,000	363,000
Miscellaneous	258,865	258,865	6,067	6,067	-	-	264,932
Total	9,902,540	9,902,540	6,067	6,067	451,495	451,495	9,617,395
Total Revenue	29,398,923	29,398,923	3,916,990	3,916,990	451,495	451,495	33,024,701
Expenses							
Retail Program - Cost of Goods Sold	4,410,085	4,410,085	-	-	-	-	4,410,085
Program Services	19,737,477	19,737,477	3,307,973	3,307,973	1,153,870	1,153,870	23,776,320
Management and General	2,569,348	2,569,348	341,841	341,841	-	-	2,581,482
Total Expenses	26,716,910	26,716,910	3,649,814	3,649,814	1,153,870	1,153,870	30,777,887
Change in Net Assets	2,682,013	2,682,013	267,176	267,176	(702,376)	(702,376)	2,246,814
Net Assets (Deficit), Beginning of Year	14,106,580	14,106,580	4,347,482	4,347,482	(716,977)	(716,977)	16,738,074
Net Assets (Deficit), End of Year	\$ 16,788,593	\$ 16,788,593	\$ 4,614,658	\$ 4,614,658	\$ (1,419,352)	\$ (1,419,352)	\$ 19,983,899
							\$ 17,737,085

See independent auditor's report.

GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.
Combining Statement of Functional Expenses
For the Year Ended December 31, 2011

Schedule III

	Goodwill			Goodworks, Inc.			Goodwill Building, Inc.			Elimination			Combined Total		
	Program Services	Management and General	Total	Program Services	Management and General	Total	Program Services	Management and General	Total	Program Services	Management and General	Total	Program Services	Management and General	Total
Operating Expense															
Salaries, Wages, Taxes and Benefits	\$ 12,576,970	\$ 1,393,924	\$ 13,970,894	\$ 2,499,851	\$ 6,316	\$ 2,465,177	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,095,731	\$ 1,403,240	\$ 16,435,971
Occupancy Cost	2,614,613	66,286	2,680,899	2,844	-	2,844	-	-	-	-	-	-	2,756,582	66,286	2,822,868
Repairs and General Maintenance	65,610	8,274	73,884	1,680	-	1,680	-	-	-	-	-	-	720,620	8,274	728,894
Supplies and Materials	560,524	60,494	621,018	160,296	666	160,964	-	-	-	-	-	-	384,009	1,162	385,171
Waste Disposal	361,739	180	361,919	2,266	-	2,266	-	-	-	-	-	-	378,778	180	378,958
Training and Support Service	977,769	5,622	983,391	967	-	967	-	-	-	-	-	-	136,056	5,622	141,678
Outreach and Marketing	43,227	25,310	68,537	385	-	385	-	-	-	-	-	-	372,130	25,695	397,825
Conference and Travel	131,694	40,610	172,304	4,402	(2,200)	2,202	-	-	-	-	-	-	844,561	38,410	882,971
Communication	389,246	194,711	583,957	13,894	946	14,840	-	-	-	-	-	-	509,695	195,657	705,352
Equipment and Vehicle Cost	531,591	61,840	593,431	212,970	39	213,009	-	-	-	-	-	-	448,604	81,879	530,483
Insurance	421,565	57,867	479,432	43,623	2,087	45,710	-	-	-	-	-	-	370,711	60,094	430,805
Professional Fees and Dues	207,123	56,868	263,991	27,322	333,510	360,832	-	-	-	-	-	-	277,390	205,118	482,508
Administrative and Other	243,453	207,118	450,571	27,322	333,510	360,832	-	-	-	-	-	-	22,057,343	2,499,328	24,556,671
	19,261,954	2,411,254	21,673,208	3,162,724	341,151	3,503,875	116,364	(423,000)	(306,636)	(306,636)	(306,636)	(306,636)	22,057,343	2,499,328	24,556,671
Interest, Taxes, Depreciation and Amortization															
Interest	43,653	1,026	44,679	321	60	381	-	-	-	-	-	-	229,512	1,896	231,408
Taxes	106,655	-	106,655	-	-	-	-	-	-	-	-	-	106,655	-	106,655
Depreciation and Amortization	397,095	90,168	487,263	144,978	-	144,978	851,268	-	-	-	-	-	1,393,401	90,168	1,483,569
	546,803	91,194	637,997	145,249	60	145,309	1,037,606	-	-	-	-	-	1,719,578	92,164	1,811,742
Total	\$ 19,737,477	\$ 2,559,348	\$ 22,296,825	\$ 3,307,973	\$ 341,811	\$ 3,649,784	\$ 1,153,970	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,776,320	\$ 2,591,492	\$ 26,367,812

See independent auditor's report.

OMB CIRCULAR A-133 SECTION

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011**

Federal Grant or Pass Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Revenue/ Expenses Recognized	Federal Revenue/ Expenses Recognized	State Revenue/ Expenses Recognized
U.S. Department of Labor					
Passed Through City of New Orleans					
Workforce Investment Act - Adult	17.258	05-ECND-17D	\$ 1,344,605	\$ 1,344,605	\$ -
Workforce Investment Act - Dislocated	17.260	05-ECND-17D	272,106	272,106	-
Workforce Investment Act - Job 1 Youth	17.259	05-ECND-17D	1,184,127	1,184,127	-
ARRA Stimulus - Adult	17.280	05-ECND-17D	4,592	4,592	-
ARRA Stimulus - Adult	17.260	05-ECND-17D	23,803	23,803	-
NEG Oil Spill Cleanup	17.280	05-ECND-17D	344,075	344,075	-
ARRA Stimulus - Dislocated	93.558	05-ECND-17D	116,901	116,901	-
Workforce Investment Act - Step	93.558	05-ECND-17D	606,475	606,475	-
Workforce Investment Act - Youth ARRA Stimulus	17.259	K10618	146,476	146,476	-
ARRA Stimulus - State Funds	17.259	05-ECND-17D	95,526	95,526	-
Oil Spill Cleanup	17.201	05-ECND-17D	18,266	18,266	-
First Planning District Urban Rural	17.277		91,046	91,046	-
Subtotal - U.S. Department of Labor			4,247,998	4,247,998	-
U.S. Department of Health and Hospitals					
Louisiana Public Health Institute	93.297		44,372	44,372	-
Subtotal - U.S. Department of Labor			44,372	44,372	-
U.S. Department of Housing and Urban Development					
Passed Through Unity for the Homeless					
Kitchen Management	14.235	LA48B650-3019	37,013	37,013	-
Kitchen Management	14.235	LA48B-60-3019	18,252	18,252	-
Employment	14.235	LA48B-50-3026	6,385	6,385	-
Employment	14.235	LA48B-60-3026	37,820	37,820	-
Culinary Arts	14.235	LA48B-50-3027	38,690	38,690	-
Culinary Arts	14.235	LA48B-60-3027	52,711	52,711	-
Passed Through City of New Orleans					
Summer Youth - CDBG	14.218	CD#50-192(98)	1,628,802	1,628,802	-
Subtotal - U.S. Department of Housing and Urban Development			1,819,673	1,819,673	-
U.S. Department of Justice					
Good Guides	16.808		106,105	106,105	-
Subtotal - U.S. Department of Justice			106,105	106,105	-
U.S. Department of Commerce					
Broadband Technology Opportunities Program	11.557		165,224	165,224	-
Subtotal - U.S. Department of Commerce			165,224	165,224	-
Total Federal Assistance			\$ 6,383,372	\$ 6,383,372	\$ -

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2011**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Goodwill, Goodworks and Goodwill Building and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements on OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Boards of Directors
Goodwill Industries of Southeastern
Louisiana, Inc., Goodworks, Inc.,
and Goodwill Industries Building, Inc.

We have audited the combined financial statements of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc., as of and for the year ended December 31, 2011, and have issued our report thereon dated June 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit we considered Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organizations' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Governance Committee, Boards of Directors, management, federal awarding agencies and pass-through entities, and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script, appearing to read "LaPorte".

A Professional Accounting Corporation

June 25, 2012



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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Boards of Directors
Goodwill Industries of Southeastern
Louisiana, Inc., Goodworks, Inc.,
and Goodwill Industries Building, Inc.

Compliance

We have audited the compliance of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc. (the Organization) with the types of compliance requirements described in the *United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2011. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc.'s compliance with those requirements.

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In our opinion, Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc. complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Governance Committee, Boards of Directors, Management, federal awarding agencies and pass-through entities, and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

June 25, 2012

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC., AND GOODWILL INDUSTRIES BUILDING, INC.**
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2011

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the combined financial statements of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc. and Goodwill Industries Building, Inc.
2. No significant deficiencies relating to the audit of the combined financial statements of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc. and Goodwill Industries Building, Inc. are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the combined financial statements of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc. and Goodwill Industries Building, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc. and Goodwill Industries Building, Inc. expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Part C of this Schedule.
7. The programs tested as major programs included:

<u>PROGRAM</u>	<u>CFDA No.</u>
Workforce Investment Act	17.258
Workforce Investment Act	17.259
Workforce Investment Act/ National Emergency Grant/ ARRA Stimulus	17.260
Workforce Investment Act	93.558
Summer Youth-CDBG	14.218

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc. and Goodwill Industries Building, Inc. were determined to be low-risk auditees.

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC., AND GOODWILL INDUSTRIES BUILDING, INC.
Status of Prior Year Audit Findings
For the Year Ended December 31, 2011**

Prior Year Audit Findings

None Noted